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No. 1424

In the Supreme Court of the United States

OCTOBER TERM, 1969

ALOE CREME LABORATORIES, INC.,

Petitioner,

vs.

AMERICAN ALOE CORPORATION,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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AMERICAN ALOE CORPORATION,
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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioner, Aloe Creme Laboratories, Inc., prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered in the above-entitled cause on July 31, 1969.

REFERENCES TO OPINIONS BELOW

The revised opinion of the Court of Appeals for the Seventh Circuit, after petitions for rehearing, was reported in 164 USPQ 266. The judgment, findings and conclusions of the District Court are reported in 291 F.Supp. 645 and 159 USPQ 560. It is petitioner's belief that the opinion

of the Court of Appeals for the Fifth Circuit dated March 9, 1970, in *Aloe Creme Laboratories, Inc.* v. *Milsan, Inc., et al.*, an unrelated case but which deals with some of the same issues, would be of assistance in determining whether a writ of certiorari should be granted. A copy of this opinion,* a copy of the opinions and judgment of the Court of Appeals for the Seventh Circuit, and the decree, findings of fact and conclusions of law of the District Court are reproduced in the appendix, beginning at page App. 1.

JURISDICTION

Jurisdiction arises under the trademark laws of the United States (15 U.S.C., Secs. 1114-1122) and because of the diversity of citizenship of the parties.

The date of the judgment sought to be reversed is January 9, 1970. The Court of Appeals on March 5, 1970 entered an order staying the mandate until April 4, 1970, to permit petitioner to file this petition for writ of certiorari. 15 U.S.C., Sec. 1222, confirms jurisdiction of this Court and states, "Writs of certiorari may be granted by the Supreme Court of the United States for the review of cases arising under this act."

QUESTIONS FOR REVIEW

1. Whether petitioner is wholly unable to obtain enforceable trademark rights through proof of a secondary meaning for its trademarks because, in the words of the opinion of the Court of Appeals for the Seventh Circuit, those marks are "denominative," a concept and classification heretofore unknown to trademark law, one already criticized and rejected by the United States Court of

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*A petition for certiorari to review the judgment in the *Milsan* case will be filed.

Appeals for the Fifth Circuit in an opinion dealing with the very same trademarks, and a conclusion at direct variance with the holdings of this Court in the leading cases: *Coca Cola Co.* v. *Koke Co.*, 254 U.S. 143 (1920); and *Armstrong Co.* v. *Nu-Enamel Corp.*, 305 U.S. 315 (1938);

2. Whether the United States Court of Appeals for the Seventh Circuit, in reversing the findings of fact and conclusions of law of the District Court, erroneously concluded that petitioner could not obtain trademark rights through secondary meaning;

3. Whether the United States Court of Appeals for the Seventh Circuit erred in remanding the case for a determination of whether petitioner was guilty of unfair competition;

4. Whether the United States Court of Appeals for the Seventh Circuit erroneously remanded the case so that further evidence be taken as to whether there was an attempted monopolization or restraint of trade by petitioner; and

5. Whether the United States Court of Appeals for the Seventh Circuit correctly concluded that respondent was not guilty of unfair competition.

STATEMENT OF THE CASE

Petitioner is a corporation organized under the laws of Florida, with its principal place of business in Fort Lauderdale, Florida. It is engaged in the business of the sale and distribution of cosmetics. It distributes its products throughout the United States, but its primary markets are in Florida and in the Midwest.

In 1953 petitioner began the creation and sale of ointments, and, in 1957, cosmetics; it became a modern pioneer in the stabilization of gel of the aloe vera plant used in these products. Petitioner's products were the first to have commercially acceptable shelf life.

In 1953 petitioner adopted the trade name Aloe Creme Laboratories, Inc. and has continuously used it to date, and its use has never been restrained.

Petitioner's first product was called ALO-CREME OINTMENT, later abbreviated to ALO-OINTMENT. This was followed in 1957 with ALO-CREME FACE, ALO-CREME HANDS and ALO-CREME BODY, abbreviated in 1963 to ALO-FACE, ALO-HANDS, and ALO-BODY.

Petitioner has used these trademarks on its products from that date, and at least since 1963 has also used the trademarks, ALO-PLUS, TRAV-ALO, ALO-RELIEF, ALO- and Design, ALO-MOISTURE PLUS, ALO-V SKIN CLEANSER, ALO-BEAUTY MATTE, ALO-TONE, ALO-ROUGE, ALO-LIPSTICK, ALO-POUDRE, ALO-V SHAMPOO, ALO-COSMETICS, ALO-CABANA SET, ALO-LEGS, Design of Plant, QUEEN NEFERTITI, FASHION TAN and AFTER TAN.

Petitioner's ownership of these trademarks has been recognized by the U. S. Patent Office, which has granted over 13 registrations thereon to petitioner.

Long after petitioner had created and adopted its trade name Aloe Creme Laboratories, Inc. and its family of ALO-trademarks, and had extensively used them, respondent adopted and used as trademarks HOUSE OF ALOE, ALOE ESSENCE, THE DESIGN OF PLANT, JEL D'ALOE, MASQUE OF ALOE, TROPICALOE and other similar marks and means on competing products, all likely to cause confusion.

Respondent did not stop with adoption of petitioner's trademarks. So far as it could, it did everything possible to confuse the buying public into believing that it was dealing with petitioner's and not respondent's products. To accomplish this unlawful purpose, it not only adopted petitioner's trademarks, it also raided its sales force, it imitated its packaging, and it concentrated in the markets where petitioner was best known, the Midwest and Florida areas.

The complaint in this case seeks to have the Court declare that petitioner's registered trademarks are invalid so that respondent may freely use similar trademarks. In addition, the complaint alleges unfair competition and violation of the antitrust laws by petitioner.

As set forth in the counterclaim of petitioner, this case is primarily a trademark infringement case. The registered trademarks of petitioner are submitted as having acquired secondary meaning, and as such are valid and infringed, and in this way completely answer respondent's complaint that petitioner's trademarks are invalid as descriptive and available for respondent to copy.

The District Court sustained petitioner's counterclaim for trademark infringement and held that petitioner's ALO-trademarks had acquired secondary meaning as indicating only the products of petititoner and that said trademarks were valid and infringed by respondent's similar trademarks. The District Court dismissed respondent's complaint for a declaratory judgment that petitioner's trademarks were invalid and that plaintiff could freely adopt and use similar trademarks. The District Court also dismissed respondent's complaint on the allegations of unfair competition and antitrust violations as not having been established by the evidence.

The Court of Appeals for the Seventh Circuit held that petitioner's trademarks were denominative and could never acquire secondary meaning. It ignored the overwhelming and uncontested evidence in the record that petitioner by its original, long, extensive, exclusive and continued use had acquired secondary meaning in its ALO- trademarks. This new and conjured law of the Court of Appeals is contrary to the established law of this Court. In addition, it reversed the finding that respondent was guilty of unfair competition, remanded the case to determine whether petitioner was guilty of unfair competition, and whether petitioner violated the antitrust laws. The unfair competition issues in most part are subsidiary to the trademark issues.

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THE REASONS RELIED UPON FOR ALLOWANCE OF THIS WRIT

The findings of the District Court disclosed secondary meaning which the Court of Appeals ignored. These findings were not clearly erroneous, but were set aside by the Court of Appeals on a holding of law contrary to and in conflict with the applicable decisions of this Court.

Petitioner has proved secondary meaning. The trial in the District Court consumed some three weeks. Some seven volumes of the transcript of the report of proceedings in the trial court were filed, plus three volumes of exhibits. Yet in disposing of this case, because of its belief that petitioner could not prevail despite proof of secondary meaning, the Court of Appeals has not seen fit to advert to a single line of this evidence.

It is petitioner's position that by the overwhelming weight of the evidence it has established a secondary meaning for its family of ALO- trademarks; that there is no credible evidence to the contrary; that the District Court in its findings found that petitioner had established a secondary meaning; that those findings of fact, by virtue of the provisions of Rule 52(a) of the Federal Rules of Civil Procedure, must be affirmed upon review unless "clearly erroneous"; that not only are the findings of the District Court not "clearly erroneous," they are firmly established in the evidence and, as a matter of fact, were not even challenged by respondent on that ground in the Court of Appeals.

The District Court found:

> "The trade, including dealers in stores, the purchasing public and consumers have come to recognize cosmetics and ointments sold under ALO- trademarks

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> as indicating exclusively the products of defendant and that ALO- to them means only the products of Aloe Creme Laboratories, Inc."

And again:

> "Due to defendant's origination, long, exclusive and extenstive [sic] use of its family of ALO- trademarks . . . said trademarks have come to indicate defendant as the exclusive producer and source of said products, rather than the products themselves."

And, finally:

> "Defendant's trademarks set forth in paragraph 2 of the Conclusions of Law, hereinafter referred to as the ALO- family of trademarks, have acquired secondary meaning as indicating only the defendant as the source of origin of products on or in connection with which they are used. . . . "

These findings of the District Court were based upon evidence requiring many court days to introduce. The evidence consisted of testimony of witnesses who were experienced in the cosmetic industry and who were in a position to know and did know the effect of petitioner's name in the marketplace. It consisted of evidence of the enormous amount of advertising by petitioner, primarily in newspapers, all of which went far to establish the secondary meaning of petitioner's name. It consisted of evidence of the enormous sums spent by petitioner for advertising and promotion of its trademark products.

There was little evidence to the contrary. The evidence firmly established a studied attempt by respondent to purloin the business of petitioner by using its trademarks, copying its packaging, enticing away its sales personnel, and doing all in its power to "palm off" its products as those of petitioner.

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The United States Court of Appeals held, in effect, that petitioner was powerless to protect itself from this unjust aggression and even remanded the case to the District Court to determine whether petitioner was guilty of unfair competition in sending two letters to its customers in the areas threatened by respondent, which letters, couched in mild terms, without identifying any target, announced the intention of petitioner to protect its trademark rights.

The United States Court of Appeals for the Seventh Circuit did not hold that the findings of the District Court were "clearly erroneous" within the meaning of Rule 53(a) of the Federal Rules of Civil Procedure, but rather rejected the results of a three-week trial of the evidence in the District Court and held that petitioner's trademarks were "denominative." The court concluded that the marks were beyond protection by the trademark laws, either statutory or common law, despite what its success might have been in establishing a distinct and separate image for the words used, that is, to designate petitioner as being the source for the product bearing the mark.

The Court of Appeals reached its decision simply by considering the dictionary definition of the word "aloe" and concluding therefrom that no one could obtain trademark rights in such a name, regardless of its success in the marketplace in establishing for itself a secondary meaning of the name.

The law, particularly as set forth by decisions of this Court, is to the contrary. A comparable question was before this Court in *Armstrong Co.* v. *Nu-Enamel Corp.*, 305 U.S. 315 (1938). There this Court considered the rights to the word "Nu-Enamel" against a competing mark, "Nu-Beauty Enamel." After pointing to the mis-

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spelling of the word "new," much as is true of the case at bar with the word "aloe," this Court concluded that the mark "Nu-Enamel" was descriptive of the paints and varnishes manufactured by Nu-Enamel Corporation. This Court pointed out that, while the term might not be descriptive as to the brushes and other products sold by Nu-Enamel Corporation since Armstrong Company used its mark only for paint, the sole question before this Court was as to the trademark Nu-Enamel as applied to enamels, and as to that product, the mark was descriptive. This Court concluded (305 U.S. 315 at 335):

> "Here we have a secondary meaning to the descriptive term, 'Nu-Enamel.' This establishes, entirely apart from any trade-mark act, the common law right of the Nu-Enamel Corporation to be free from the competitive use of these words as a trade-mark or trade name. As was pointed out in the *Davids* case, in considering the ten-year clause of the 1905 act, this right of freedom does not confer a monopoly on the use of the words. It is a mere protection against their unfair use as a trade-mark or trade name by a competitor seeking to palm off his products as those of the original user of the trade name. This right to protection from such use belongs to the user of a mark which has acquired a secondary meaning. . . . "

The trouble which the Court of Appeals for the Seventh Circuit had with this case is shown by its effort to distinguish it by claiming that the term "Nu-Enamel" acquired secondary meaning by application to other products than enamel, this without the benefit of a single statement to that effect in this Court's opinion and despite the fact that the author of this Court's opinion, Mr. Justice Reed, expressly rejected the influence of this factor (305 U.S. 315 at 329):

> "We must therefore consider the case as though the only products of Nu-Enamel Corporation were enamels. As applied to them it is descriptive."

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This Court considered the same question in *Coca-Cola Co.* v. *Koke Co.*, 254 U.S. 143 (1920). Despite the fact that the term "Coca" was descriptive of the coca leaves used in the product and the fact that "Cola" was descriptive of the cola nut also used in the product, this Court concluded that the widespread secondary meaning attached to the name entitled the trademark to protection.

The United States Court of Appeals for the Fifth Circuit, in *Aloe Creme Laboratories, Inc.* v. *Milsan, Inc., et al.*, in considering the same trademarks as the case at bar, when the analysis of the Seventh Circuit was brought to its attention stated:

> "The court created a category, which it called denominative, to distinguish certain cases from those involving the general run of descriptive marks. The category neatly encompasses a group of cases where the mark claimed was the common name of the article. . . . "

The court concluded:

> "Moreover, denomination appears to be a new damnation for aspiring trademarks. By placing 'Alo' in this category, the court denied secondary meaning without the necessity of discussing any evidence relevant to the claim. We do not believe the present case can be resolved by the application of an appropriate epithet — be it generic description or denomination."

CONCLUSION

It is respectfully submitted that the United States Court of Appeals for the Seventh Circuit has created a new and useless category for trademarks, one which this Court should mercifully excise from legal literature. In the process, petitioner's rights have been wholly defeated. The careful, extensive consideration by the District Court

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of what are essentially factual issues should be determinative of the rights of the parties in this case. It is respectfully requested that this Honorable Court grant a writ of certiorari to review the judgment of the Court of Appeals for the reasons set forth above.

Respectfully submitted,

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APPEAL A

In The

UNITED STATES COURT OF APPEALS
For The Fifth Circuit

No. 27791

[redacted] Inc.,

Plaintiff-Appellant,

vs.

[redacted] et al.,

Defendants-Appellees.

APPENDIX

Appeal from the United States District Court for the Southern District of Florida

(March 9, 1970)

Before [redacted] Circuit Judges, and [redacted] District Judge.

[redacted] Circuit Judge: This trademark case involves the exploitation of the "beauty secret of the Nile" [redacted] aloe vera plant. We must decide whether [redacted] has carried an adequate burden in proving the [redacted] of [redacted] royalty to the Appellees' [redacted] Laboratories, Inc., brought suit in the United States District Court for the Southern District of Florida alleging infringement of its registered trademarks and unfair competition by appellee, Maxam, Inc. As a part of its [redacted] was alleged under 15 U.S.C. § [redacted] was also [redacted] under the trademark laws of the United States.

of error are essentially factual issues which [illegible] initiative of the parties in this case [illegible] respectfully requested that this Honorable Court [illegible] writ of certiorari to review the judgment of the [illegible] Appeals for the reasons set forth above.

Respectfully submitted,

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

APPENDIX

APPENDIX A

In The

UNITED STATES COURT OF APPEALS
For The Fifth Circuit

No. 27791

Aloe Creme Laboratories. Inc.,

Plaintiff-Appellant,

vs.

Milsan, Inc., et al.,

Defendants-Appellees.

Appeal from the United States District Court for the Southern District of Florida

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(March 9, 1970)

Before WISDOM, GEWIN and AINSWORTH, *Circuit Judges.*

GEWIN, *Circuit Judges* This trademark case involves the commercial exploitation of the "beauty secret of the Nile"—the aloe vera plant. We must decide whether appellant has earned an advantage in presenting the panacea of Egyptian royalty to the American housewife. Aloe Creme Laboratories, Inc., brought suit in the United States District Court for the Southern District of Florida alleging infringement of its registered trademarks and unfair competition by appellee, Milsan, Inc.[1] As a part of

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[1] Jurisdiction was alleged under 15 U.S.C. § 1121, as a case arising under the trademark laws of the United States.

its judgment,[2] the district court found the term "Alo," as used in appellant's trademarks, was descriptive of its products and without a secondary meaning. Appellant contends that the court's finding with respect to secondary meaning is clearly erroneous. We affirm.

Our review of the record indicates that appellant apart from its claim of secondary meaning, sought relief in the district court under the common law doctrine historically known as palming off.[3] This is another species

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[2] The court found Milson guilty of certain acts of infringement and unfair competition, from which there is no appeal. See discussion, *infra*.

[3] Appellant's complaint alleged:

> 14. Defendants' use of the said trademarks on their products is designed to sustain the illusion that defendants are in some way connected with plaintiff so as to enable defendants or its dealers or stores to palm off said products as and for those of plaintiffs. . . .

The pre-trial stipulation contained a list of factual issues remaining to be resolved at trial including:

> (i) Whether defendant's uses of the trademarks ALOE VITA, ALOE MAGIC, OIL OF ALOE, LOTIONS OF ALOE, ALOES OF ALOE, ALOESETTE, POWDERS OF ALOE, TANS OF ALOE and TAN PRESERVER WITH ALOE VITA, and the Design of Plant on its products are designed to sustain the illusion that defendant is in some way connected with plaintiff, so as to enable defendant or its dealers or stores to palm off said products as and for those of said plaintiff and have caused damage to said plaintiff and injury to the trade and purchasing public.

In ruling on the case, the district court answered the questions posed in the stipulation. Except as to Milsan's use of the "Design of Plant" mark and its presentation of its TAN OF ALOE and TAN PRESERVER products, the court answered question (i) in the negative.

of protection from unfair competition. Inasmuch as appellant's notice of appeal strictly limited the portion of the judgment of which review was sought,[4] we do not consider the district court's determinations regarding palming off to be properly before us.[5]

In 1953, appellant, a Florida corporation with its principal place of business in Ft. Lauderdale, Florida, began selling products containing gel of the aloe vera plant. The medicinal properties of this tropical plant have been known since ancient times,[6] but, until recently, the rapid deterioration of the extracted gel had limited its use to areas where the plant is endemic. Appellant was able suc-

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[4]Appellant's notice of appeal states:

. . . plaintiff herein appeals . . ., *only* from that portion of Paragraph 1 of the Judgment . . . reading as follows:

"1. Plaintiff has not acquired secondary meaning in either 'Alo' or 'Aloe', and plaintiff's trademarks have not been infringed by defendant's use of 'Alo' or 'Aloe'." (emphasis supplied)

It should also be noted that appellant drafted the final judgment from which the quotation is taken.

[5]We consider the disposition of the claim for palming off to be independent of the claims of secondary meaning and trademark infringement inasmuch as they involve different elements of proof. *See* Nolan v. Coating Specialists, Inc, ... F.2d ..... (1970) [No. 28388, Jan. 29, 1970]; Martin v. Atlantic Coast Line R.R. Co., 289 F.2d 414, 417 n.5 (5th Cir. 1961). *See* generally 9 J. Moore, Federal Practice § 73.14, at 3221 (2d ed. 1953).

[6]There are records of the plant's use in ancient Egypt, classical Greece, and 8th century China, as well as references in the Bible. It is recorded that the body of Jesus was annointed with Aloes. John 19:39-40. The plant was historically used to treat burns and skin irritation, and taken internally for a variety of ailments.

cessfully to market aloe products through its development of a stabilized aloe gel with a commercially acceptable shelf life.

The first of these products was an ointment for the treatment of burns originally sold under the name ALO-CREME OINTMENT. In 1957, appellant introduced its first cosmetics under the trademarks ALO-CREME FACE, ALO-CREME HANDS, and ALO-CREME BODY. In 1963, these names were abbreviated to ALO-OINTMENT, ALO-FACE, ALO-HANDS, and ALO-BODY respectively. Since 1963, appellant has used the following trademarks on its expanded line of products: ALO-PLUS, TRAVEL-ALO, ALO-RELIEF, ALO-and Design, ALO-MOISTURE PLUS, ALO-V SKIN CLEANSER, ALO-BEAUTY MATTE, ALO-TONE, ALO-ROUGE, ALO-LIPSTICK, ALO-POUDRE, ALO-V SHAMPOO, ALO-COSMETICS, ALO-CABANA SET, ALO-LEGS, Design of Plant,[7] QUEEN NEFERTITI, FASHION TAN and AFTER TAN.[8] "Alo" products have enjoyed nationwide sales of approximately $12,000,000.

Milsan, Inc. is a Florida corporation with its principal place of business in Hialeah, Florida. Hyman Greenglass and his wife, Mildred, also appellees, are the only stockholders and executive officers of Milsan. The same corporation, under the name of Green's Discount Stores, formerly operated a discount drug store in Miami Beach,

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[7] This design is depicted in Registration No. 811,159 and is a stylized representation of the Aloe Vera Plant.

[8] Appellant has eighteen registrations for its trademarks issued by the U.S. Patent Office. In order to obtain registration of trademarks containing the term "Alo," appellant disclaimed the term, though expressly reserving its common law rights.

Florida. In 1964-65 this store sold various of appellant's products.

In 1965, Milsan began marketing cosmetics containing a solution of aloe powder. Milsan's trademarks include: TANS OF ALOE, TAN PRESERVER, LOTIONS OF ALOE, OIL OF ALOE, ALOES OF ALOE, ALOE MAGIC, ALOESETTE, POWDERS OF ALOE, ALOE FACE CREME, ALOE VITA, and SANDRA LEE. Its products are sold chiefly in grocery and discount drug stores at prices substantially less than appellant's comparable products.

On November 30, 1965, appellant, through its counsel, sent Milsan an infringement notice. Milsan admits receipt of the notice, but did not reply or in any way alter its activities. Appellant initiated the present action on April 5, 1966, claiming trademark infringement and unfair competition.

The case was tried without a jury. The court found appellant's registered "Design of Plant" mark valid and infringed by the use of a similar mark on Milsan's products. Accordingly, this practice was enjoined. The court also found Milsan's TANS OF ALOE and TAN PRESERVER confusingly similar to appellant's FASHION TAN and AFTER TAN by reason of their overall appearance. The Milsan products were the same color and were sold in bottles similar to those used by appellant. The court criticized the script used on the labels of these products and the disproportionately small depiction of the trademark SANDRA LEE in relation to other elements of the labels. Milsan was ordered to remedy these sources of confusion. The court found that Milsan deliberately

and willfully committed the above acts of trademark infringement and unfair competition in an effort to pass off its products as those of appellant. Milsan has not appealed from these adverse portions of the judgment.

In seeking to enjoin Milsan's use of "Aloe" as a portion of its trademarks, appellant contended that "Alo," whose original or *primary* meaning is descriptive, had acquired through use a *secondary* meaning indicating the goods of Aloe Creme Laboratories, Inc.[9] The court found that "Alo" was solely descriptive and without secondary meaning that would support relief. Appellant would have us characterize this evaluation of the evidence as clearly erroneous.

Considered today as a part of the broader law of unfair competition, the doctrine of secondary meaning is another avenue to protection of trade names independent of any trademark act. The doctrine has been accounted as the response of the common law to the realities of business life.[10] Apparently entrepreneurs can not resist the temptation to tie the name of their product to some dis-

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[9] The terms, primary and secondary, may be somewhat misleading since a secondary meaning entitled to protection must have become the *primary* meaning to the consumer. The problem may be avoided by thinking of the terms merely as temporal designations. 3 R. Callmann, Unfair Competition Trademarks and Monopolies § 77.1, at 338-340 (3d ed. 1969).

[10] *See generally* 3 R. Callmann, supra note 9, § 77.1.

abling quality of description, geography, or vanity.[11] While this foible prevents recourse to the Act,[12] in a proper case the law will recognize the years of effort and expense, necessary to effect a turn of the public mind, with equivalent protection. Once secondary meaning is established, the beneficiary need only show a likelihood of confusion to enjoin an infringing use.

Appellant contends that its promotion of the "Alo" family of marks has created such a secondary meaning. Milsan insists that the term is incapable of acquiring secondary meaning because it is generically descriptive of appellant's products. Milsan's argument is erroneous.[13] The doctrine of secondary meaning is primarily concerned with descriptive marks and marks unregisterable for other

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[11] 15 U.S.C. § 1052 disqualifies certain kinds of marks from registration under the Lanham Act including one that:

> (e) Consists of a mark which, (1) when applied to the goods of the applicant is merely descriptive or deceptively misdescriptive of them, or (2) when applied to the goods of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, . . . or (3) is primarily merely a surname.

As stated in note 8 *supra*, registration of the "Alo" marks was obtained by means of a disclaimer which is authorized by 15 U.S.C. § 1056.

[12] The Lanham Act, 15 U.S.C. § 1051, *et seq.*

[13] Secondary meaning is an absolute concept; it converts a word originally incapable of serving as a mark into a full fledged trademark. . . . The strength or weakness of such a mark depends exclusively upon the vitality of its secondary meaning; to characterize such a mark as descriptive or geographical is error, for even the most famous marks would then be weak. 3 R. Callman, *supra* note 9 at 340-341.

reasons enumerated in the Act.[14] The determination that "Alo" is descriptive is only effective to prevent recourse to the Act and does not simultaneously foreclose recourse to the doctrine of secondary meaning.

A similar, though more sophisticated, argument is embodied in *American Aloe Corp.* v. *Aloe Creme Laboratories, Inc.*[15] There the Seventh Circuit reversed a finding by the district court that the "Alo" tradename had acquired a secondary meaning entitled to protection. While we reach a result similar to our brethren of the Seventh Circuit, we do so for somewhat different reasons.

In its opinion, the *American Aloe* court sought to bring some order to the perplexing array of secondary meaning cases, by classifying them according to the relationship between the term claimed and the article to which it was applied. The court created a category, which it called denominative, to distinguish certain cases from those involving the general run of descriptive marks. The category neatly encompasses a group of cases where the mark claimed was the common name of the article.[16] In these cases, the uniform refusals of the courts to find secondary meaning are supported by a valid policy consideration. This policy consideration is grounded upon the fact that

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[14] 15 U.S.C. § 1052(e), see note 11 *supra*.

[15] ..... F.2d ..... (7th Cir. 1970), [No. 17250, Jan. 9, 1970], *rev'g* 291 F.Supp. 645 (N.D. Ill. 1968).

[16] Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938) (shredded wheat); Henry Heide, Inc. v. George Ziegler Co., 354 F.2d 574 (7th Cir. 1965) (Ju-Jubes); Donald F. Duncan, Inc. v. Royal Tops Manufacturing Co., 343 F.2d 655 (7th Cir. 1965) (yo-yos).

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the recognition of property rights in the common name of an article could be tantamount to granting a monopoly in that commodity.

The Seventh Circuit, however, expanded its denominative category to include a group of cases involving marks that were descriptive because they referred to an ingredient of the product involved.[17] The policy in the former instance, just mentioned above, appears less persuasive in this situation. The "ingredient" cases reach different results, and must be reconciled on the basis of factual distinctions. Their inclusion tends to diminish the homogeneity of the denominative category.

Moreover, denomination appears to be a new damnation for aspiring trademarks. By placing "Alo" in this category, the court denied secondary meaning without the necessity of discussing any evidence relevant to the claim. We do not believe the present case can be resolved by the application of an appropriate epithet—be it generic description or denomination.[18]

A claim of secondary meaning presents a question of fact.[19] The chief inquiry is the attitude of the consumer

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[17] Compare LeBlume Import Co. v. Coty, 293 F. 344 (2d Cir. 1923) (L'Origan—for perfume); Pinaud, Inc. v. Huebscham, 27 F.2d 531 (E.D. N.Y. 1928) (Lilas De France—for perfume); Wells & Richardson Co. v. Siegel, Cooper & Co., 106 F. 77 (N.D. Ill. 1900) (Celery Compound) with Dixi-Cola Laboratories, Inc. v. Coca-Cola Co., 117 F.2d 352 (4th Cir. 1941) (cola—for soft drink).

[18] See note 13 *supra*.

[19] Speed Products Co. v. Tinnerman Products, Inc., 222 F.2d 61, 66 (2d Cir. 1955); Little Tavern Shops, Inc. v. Davis, 116 F.2d 903, 906 (4th Cir. 1941).

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toward the mark; does it denote to him a, ". . . single thing coming from a single source . . .?"[20] Short of a survey, this is difficult of direct proof. The record of the case presently before the court contains considerable evidence by which appellant sought to inferentially establish the public mind.

Since 1953, appellant has continuously used "Alo" as a part of the trademarks of its products. In this period, it has gradually won a nationwide market among the discriminating consumers of cosmetics. The value and quality of appellant's products and the success of its business have been recognized by independent writers in newspaper and magazine articles exhibited to the district court. These articles designated the Florida-based corporation as the single source of "Alo" cosmetics.

Appellant has expended almost $3,000,000 in an effort to place the word "Alo" on the lips of every prospective female customer in the American market place. Its advertisements have appeared in such national publications as "Harper's Bazaar," "Beauty Fashion", and "Vogue". It engages in newspaper advertisement throughout the country in cooperation with local retail establishments. Local dealers also cooperate in displays and promotions within their stores, including demonstrations of "Alo" products conducted by appellant's staff of beauty consultants. In considering this evidence, it must be remembered that the question is not the *extent* of the promotional efforts, but their *effectiveness* in altering the meaning of "Alo" to the consuming public.[21]

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[20] Coca-Cola Co. v. Koke Co., 254 U.S. 143, 146 (1920).

[21] See Chas. D. Briddell, Inc. v. Alglobe Trading Corp., 194 F.2d 416 (2d Cir. 1952); *See generally* 3 R. Callmann, *supra* note 9, § 77.3.

The most direct evidence of the attitude of consumers came from eight witnesses, connected with different establishments selling appellant's products at retail. They shared the opinion that "Alo" meant appellant's products, and testified that their customers intended appellant's products when they asked for "Alo". However, only one of these witnesses worked in a store which sold both Milsan's and appellant's cosmetics. The remaining seven witnesses handled only the aloe products sold by appellant. The district court attached more significance to the testimony of the one witness with experience in selling both products.[22] It concluded that the consumer in asking for aloe was seeking a general class of cosmetics and not appellant's particular goods.

We agree with *American Aloe* insofar as it holds that the evidentiary burden, necessary to establish secondary meaning, is substantial where the mark applied to an article designates a principal ingredient desired by the public. After reviewing the evidence in this regard, we can not say that the district court was clearly erroneous[23] in finding appellant's showing insufficient.

Accordingly, the judgment is AFFIRMED.

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[22] This witness was Mrs. Frieda Geisler, an employee of Woolco Department Store in Ft. Lauderdale, Florida. Her testimony includes the following:

By The Court:

Q. If somebody came into your store and asked you for some aloe cream what do you say?

A. We have to say which aloe cream are you interested in. Are you interested in the Aloe Creme Laboratories cream of Fort Lauderdale, the cosmetics, or in the Sandra Lee's cosmetics?

[23] Rule 52(a), Fed. R. Civ. Pro.

APPENDIX B

In the

United States Court of Appeals

For the Seventh Circuit

No. 17250 SEPTEMBER TERM 1968 — APRIL SESSION 1969

AMERICAN ALOE CORPORATION

v.

ALOE CREME LABORATORIES, INC.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

July 31, 1969

Before CASTLE, *Chief Judge*, FAIRCHILD, *Circuit Judge* and BEAMER, *District Judge*.[1]

BEAMER, *District Judge*.

This is an appeal from the Northern District of Illinois involving claims of trademark infringement and invalidity, and cross charges of unfair competition and antitrust violations. The central question before the Court is the validity of defendant-appellee's ALO-trade names, and plaintiff-appellant's alleged infringement thereof.

Defendant Aloe Creme Laboratories, Inc. began the sale of an ointment in 1953, and cosmetics in 1957, both

[1] Judge Beamer is sitting by designation from the Northern District of Indiana.

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containing the gel of the sub-tropical aloe vera plant. The use of the fresh gel from the cut leaves of this plant had long been known to the natives of the region in which it is grown as a remedy for sun burn. Prior to defendant's entry into the market and its development of a process of stabilizing and preserving the gel, it had too short a shelf life to be commercially valuable. Due to defendant's efforts over the intervening years, its products, containing Aloe vera gel, became widely known and commercially successful. Beginning in 1953 and throughout this period, the defendant operated under the trade name "Aloe Creme Laboratories, Inc." Its first product was known under the trade name ALO-CREME OINTMENT which was changed to ALO-OINTMENT in 1963. Commencing in 1957, defendant began the manufacture of various cosmetics known as ALO-CREME FACE, ALO-CREME HANDS, and ALO-CREME BODY, which names were abbreviated to ALO-FACE, ALO-HANDS, and ALO-BODY in 1963. Since 1963, the defendant has also used the trademarks ALO-PLUS, TRAV-ALO, ALO-MOISTURE PLUS, ALO-V SKIN CLEANSER, ALO-BEAUTY MATTE, ALO-TONE, ALO-ROUGE, ALO-LIPSTICK, ALO-POUDRE, ALO-V SHAMPOO, ALO-COSMETICS, ALO-CABANA SET, ALO-LEGS, FASHION TAN and AFTER TAN, all of which were the subject of trademark registrations. In dispute on appeal is the defendant's use and registration of ALO- and design.

Plaintiff commenced operations on January 20, 1964, and made its first sales of products bearing trademarks on March 8, 1965. Plaintiff adopted as its trademarks, HOUSE OF ALOE, ALOE ESSENCE, DESIGN OF PLANT, JEL D'ALOE, MASQUE OF ALOE and TROPICALOE. After defendant notified plaintiff of its

claim to a family of ALO trademarks which it claimed was infringed by plaintiff's use of ALOE in its trade names, plaintiff commenced this action asking a declaratory judgment finding defendant's trademarks invalid and upholding plaintiff's right to use its ALOE trademarks. Defendant counterclaimed for trademark infringement and unfair competition. Plaintiff then amended its complaint to charge defendant with violations of the unfair competition and antitrust laws. The district court found for the defendant-counterclaimant on all issues; dismissed the complaint; awarded treble damages and enjoined the plaintiff from using ALOE in its trade names or trademarks. We affirm in part and reverse in part.

The crucial issue on appeal is whether "Aloe" and its phonetic equivalents is a generic name, incapable of being trademarked, or whether defendant has established a sufficient secondary meaning in the name ALOE to preclude others from using it in their trade names. We find that "Aloe" is a generic name, normally incapable of becoming a trademark, and that defendant has not established a secondary meaning in the term, or "family of trademarks" such as to preclude others from using "Aloe" in their trade names.

Aloe is the generic name of a large genus of succulent plants and of the drugs prepared from the aloe vera variety of that plant. (Webster's New International Dictionary, 2d ed. 1934.) In particular, for purposes of this case, it is the generic name for the gel of the Aloe vera plant. It is undisputed that in the absence of a strong showing of secondary meaning, a generic name cannot be the basis of a trademark. *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111; 83 L.ed. 73 (1938) (shredded

wheat); *Henry Heide, Inc.* v. *George Zeigler Co.*, 354 F.2d 574 (7th Cir. 1965) (ju-jubes); *Donald F. Duncan, Inc.* v. *Royal Tops Manufacturing Co.*, 343 F.2d 655 (7th Cir. 1965) (yo-yos).

Defendant concedes that this is the law, but maintains that it is not marketing "Aloe" as such, but is selling cosmetics containing Aloe, which are not encompassed within the generic or descriptive name and with respect to which the word "Aloe" is at most, suggestive. In view of the fact that Aloe is the distinguishing ingredient in defendant's products upon which its claims to special effectiveness are based, the Court must find that "Aloe" is the generic and descriptive term for that class of cosmetics containing Aloe and that any claim to a trademark in the name must be based on "secondary meaning".

The case is unlike *Coca-Cola Co.* v. *Koke Co.*, 254 U.S. 143, 65 L.ed. 189 (1920) where the term Coke or Coca was originally descriptive of the extract of Coca leaves, or cocaine contained in the plant, but which lost this generic sense when the plaintiff was compelled to remove any effective cocaine from the product, after which Coca or Coke acquired a purely secondary meaning. Neither is this case controlled by those decisions which have found that exact copies or phonetic equivalents infringe purely suggestive names which have acquired trade name significance, such as *Douglas Labs. Corp.* v. *Copper Tan, Inc.*, 210 F.2d 453 (2nd Cir. 1954) which said "copper tone" for sun tan lotion was suggestive rather than descriptive, and *Orange Crush Co.* v. *California Crushed Fruit Co.*, 297 F.2d 892 (D.C. Cir. 1924) which said "Crush" was not descriptive of a soft drink and was not used in its generic sense; nor is it in the same class

with those which hold that terms having a general descriptive but not denominative sense acquired secondary meaning. *Keller Products, Inc.* v. *Rubber Linings Corp.*, 213 F.2d 382 (7th Cir. 1954) (*Tub Cove* v. *Tub Kove*); *Speaker* v. *Shaler Co.*, 87 F.2d 985 (7th Cir. 1937) (*Hot Patches* v. *Hot Patches*—for vulcanizing products); *Barton* v. *Rex-Oil Co., Inc.*, 29 F.2d 474 (3rd Cir. 1928) (*Dynashine* v. *Dye & Shine*—for shoe polish). It must also be distinguished from the Supreme Court's decision in *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corp.*, 305 U.S. 315, 83 L.ed. 195 (1939) where the essentially descriptive and denominative term "nu-enamel" had acquired a secondary meaning at least partially through its widespread application to products other than enamel —such as paint brushes.

This case is properly classified with those where the term in question was the common name for the article sold and hence denominative of that article regardless of source. *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111; 83 L.ed. 73 (1938) (shredded wheat); *Henry Heide, Inc.* v. *George Zeigler Co.*, 354 F.2d 574 (7th Cir. 1965) (ju-jubes); *Donald F. Duncan, Inc.* v. *Royal Tops Manufacturing Co.*, 342 F.2d 655 (7th Cir. 1965) (yo-yos) and particularly with those cases where the term was denominative of the prime or distinguishing ingredient in the product. Compare *LeBlume Import Co.* v. *Coty*, 293 F. 344 (2nd Cir. 1923) (*Lorigan* v. *L'Origan de Coty* —for perfume); *Pinaud, Inc.* v. *Huebschman*, 27 F.2d 531 (E.D. N.Y. 1928) (*Lilas De France* v. *Lilas De France* —for perfume); *Wells & Richardson Co.* v. *Siegel, Cooper & Co.*, 106 F. 77 (N.D. Ill. 1900) (*Celery Compound* v. *Celery Compound*) with *Dixie-Cola Laboratories, Inc.*

v. *Coca Cola Co.*, 117 F.2d 352 (4th Cir. 1941) (*cola* v. *cola*—for soft drink containing extract of cola nut). It is clear from an examination of the cases that while the test may be stated in the same language in both types of cases, it is much more difficult to establish secondary meaning in a denominative term (as used herein) than in a purely descriptive one.

The criteria for determining whether a denominative term has acquired the necessary secondary meaning to be a trademark are best described in the language of the Supreme Court in *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 118; 83 L.ed. 73, 79 (1938):

> It is contended that the plaintiff has the exclusive right to the name 'Shredded Wheat,' because those words acquired the 'secondary meaning' of shredded wheat made at Niagara Falls by the plaintiff's predecessor. There is no basis here for applying the doctrine of secondary meaning. The evidence shows only that due to the long period in which the plaintiff or its predecessor was the only manufacturer of the product, many people have come to associate the product, and as a consequence the name by which the product is generally known, with the plaintiff's factory at Niagara Falls. But to establish a trade name in the term 'shredded wheat' the plaintiff must show more than a subordinate meaning which applies to it. It must show that the primary significance of the term in the middle of the consuming public is not the product but the producer.

In the recent decision of *Henry Heide, Inc.* v. *George Zeigler Co.*, 354 F.2d 574, 576 (7th Cir. 1965) dealing with the term "ju-jubes" for fruit flavored gum candy, this Court said, "But more importantly, a generic term in circumstances such as those before us may not be

exclusively appropriated as a trademark, regardless of the length of time it may have been used by a single distributor at the consumer level and despite whatever promotional effort he may have expended to exploit it." See *Donald F. Duncan, Inc.* v. *Royal Tops Manufacturing Co.*, 432 F.2d 655 (7th Cir. 1965); *Dixi-Cola Laboratories* v. *Coca-Cola Co.*, 117 F.2d 352 (4th Cir. 1941).

The defendant-appellee, Aloe Creme Laboratories, Inc., here seeks to accomplish what the courts prohibited in the above cases. Having originated the use of a stabilized aloe gel in cosmetics and maintained a natural and legal monopoly in the product over a relatively long period of time, it seeks to prevent others from successfully competing in the Aloe cosmetic market by foreclosing their effective promotion of aloe products. The Court does not question its good faith, but it must find that defendant Aloe Creme Laboratories, Inc. cannot appropriate for its own trademark use, the generic name of the distinguishing and effective ingredient in its product. Defendant has neither patent rights in the "ingredient concept" of using Aloe in cosmetics nor a legal right to maintain a monopoly in Aloe cosmetics. By using the phonetic equivalent of the generic name as the sole common and distinguishing mark of its products, defendant invited confusion. Until 1963, defendant differentiated its product by the name ALO-CREME, which would have come nearer to maintaining its trademark significance, but in the two to three years between the adoption of the singular ALO- and the filing of this suit, "Aloe" or "Alo" did not lose its generic meaning or denominative sense. Those cases relied upon by defendant to establish the secondary meaning in the name of a plant used as an ingredient are distinguishable.

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In *LeBlume Import Co.* v. *Coty,* 293 F. 344 (2nd Cir. 1923) the court found that Lorigan, or L'Origan, although generic when applied to a particular genus of plant, had come to mean the blended perfume produced by Coty, and not the fragrance of the particular plant. It laid stress on the fact that the perfume in question was a blend, unidentifiable with the genus of plants whose name it bore. In contrast, both plaintiff's and defendant's products here are promoted for their common ingredient —Aloe—with which both product lines are clearly identifiable. The defendant here cannot seek to promote its products by stressing the active ingredient which is available to all and also claim that the only proper name of that ingredient has lost its primary generic significance.

In *Pinaud, Inc.* v. *Huebschman,* 27 F.2d 531 (E.D. N.Y. 1928) the Court found that the French expression Lilas De France, when applied to a perfume long manufactured and promoted by one company, had acquired a secondary meaning, but it also indicated that the English counterpart of the same words, "French Lilac," was purely descriptive and without secondary meaning. In *Wells & Richardson Co.* v. *Siegel, Cooper & Co.,* 106 F. 77 (N.D. Ill. 1900) the Court found that the expressions "Celery Compound" had acquired a secondary meaning and that others could not copy it, but it did not find that "Celery" had acquired a similar meaning. Likewise here, the Court finds that the various ALO- trademarks of defendant in themselves are valid, but cannot be considered to have established a secondary meaning in the word Aloe itself. Others may not copy the exact trademarks used by defendant, because those have come to mean defendant's products exclusively, but they may use the word "Aloe" as part of their own trademark, just as defendant has done.

It is apparent that a generic term cannot be the basis for a "family of trademarks" unless that term itself has

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achieved trademark significance through its secondary meaning. Compare *Laurtzen & Co., Inc.* v. *Borden Company*, 239 F.2d 405 (Court of Custom and Patent Appeals, 1956) with *Motorola, Inc.* v. *Griffiths Electronics, Inc.*, 317 F.2d 397 (Court of Customs and Patent Appeals, 1963).

Having so concluded, we must therefore reverse the district court's conclusion insofar as it found that defendant had established a secondary meaning in the term "Aloe" or "Alo" and that plaintiff's use of its Aloe trade names infringed defendant's family of ALO- trademarks. We also reverse the trial court's conclusion of law that plaintiff's TAN LIFE infringed defendant's FASHION TAN and AFTER TAN trademarks, because the only common word, "tan", is too descriptive to be the basis of trademark rights under the facts of the case. Finally, we reverse the district court's conclusion that the plaintiff was guilty of unfair competition and should pay treble damages, because the findings of fact, in the absence of trademark infringement, are insufficient to support those conclusions.

We specifically affirm the district court's conclusions upholding the validity of defendant's trademarks as registered and absolving the defendant of liability for unfair competition and antitrust violations. The judgment is reversed and the case remanded for entry of judgment in accordance with this opinion.

The appellant shall recover 2/3 of his costs expended on appeal.

A true Copy:
Teste:

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Clerk of the United States Court of Appeals for the Seventh Circuit.

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APPENDIX C

In the

United States Court of Appeals

For the Seventh Circuit

No. 17250 SEPTEMBER TERM 1968 — APRIL SESSION 1969

AMERICAN ALOE CORPORATION,

Plaintiff-Appellant,

v.

ALOE CREME LABORATORIES, INC.,

Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

JANUARY 9, 1970

ON PETITIONS FOR REHEARING[1]

Before CASTLE, *Chief Judge*, FAIRCHILD, *Circuit Judge* and BEAMER, *District Judge*.[2]

[1] On consideration of the petitions for rehearing filed by each of the parties and the answer of defendant-appellee to plaintiff-appellant's petition (filed at the request of the Court) the opinion filed herein July 31, 1969, is withdrawn and this opinion is adopted as the opinion of the Court.

[2] Judge Beamer is sitting by designation from the Northern District of Indiana.

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BEAMER, *District Judge.* This is an appeal from the Northern District of Illinois involving claims of trademark infringement and invalidity, unfair competition and anti-trust violation and counterclaims based on similar charges. The central question before the Court is the validity of defendant-appellee's "ALO-" trade names, and plaintiff-appellant's alleged infringement thereof.

Defendant Aloe Creme Laboratories, Inc., began the sale of an ointment in 1953, and cosmetics in 1957, both containing the gel of the sub-tropical aloe vera plant. The use of the fresh gel from the cut leaves of this plant had long been known to the natives of the region in which it is grown as a remedy for sun burn. Prior to defendant's entry into the market and its development of a process of stabilizing and preserving the gel, it had too short a shelf life to be commercially valuable. Due to defendant's efforts over the intervening years, its products, containing Aloe vera gel, became widely known and commercially successful. Beginning in 1953 and throughout this period, the defendant operated under the trade name "Aloe Creme Laboratories, Inc.". Its first product was known under the trade name ALO-CREME OINTMENT which was changed to ALO-OINTMENT in 1963. Commencing in 1957, defendant began the manufacture of various cosmetics known as ALO-CREME FACE, and ALO-CREME HANDS, and ALO-CREME BODY, which names were abbreviated to ALO-FACE, ALO-HANDS, and ALO-BODY in 1963. Since 1963, the defendant has also used the trademarks ALO-PLUS, TRAV-ALO, ALO-MOISTURE PLUS, ALO-V SKIN CLEANSER, ALO-BEAUTY MATTE, ALO-TONE, ALO-ROUGE, ALO-LIPSTICK, ALO-POUDRE, ALO-V SHAMPOO, ALO-COS-

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METICS, ALO-CABANA SET, ALO-LEGS, FASHION TAN and AFTER TAN, all of which were the subject of trademark registrations.

Plaintiff commenced operations on January 20, 1964, and made its first sales of products bearing trademarks on March 8, 1965. Plaintiff adopted as its trademarks, HOUSE OF ALOE, ALOE ESSENCE, DESIGN OF PLANT, JEL D'ALOE, MASQUE OF ALOE and TROPICALOE. After defendant notified plaintiff of its claim to a family of ALO trademarks which it claimed was infringed by plaintiff's use of ALOE in its trade names, plaintiff commenced this action asking a declaratory judgment finding defendant's trademarks invalid and upholding plaintiff's right to use its ALOE trademarks, together with a claim of unfair competition and antitrust violation. Defendant counterclaimed for trademark infringement and unfair competition. The district court found for the defendant-counterclaimant on all issues, dismissed the complaint, awarded treble damages and enjoined the plainitff from using ALOE in its trade names or trademarks.

Central to a determination of the issues in this case is whether defendant's use of the term ALO- is sufficient to preclude others from using the words Aloe or Alo. Also in question is defendant's claim to trademark registration of "ALO- and Design". We hold that defendant has no trademark rights, through use or registration, in the term "ALO-" by itself.

Aloe is the generic name of a large genus of succulent plants and of the drugs prepared from the aloe vera variety of that plant. (Webster's New International Dictionary, 2d ed. 1934.) In particular, for purposes of this

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case, it is the generic name for the gel of the aloe vera plant. It is undisputed that in the absence of a strong showing of secondary meaning, a general name cannot be the basis of a trademark. *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 83 L.ed. 73 (1938) (shredded wheat); *Henry Heide, Inc.* v. *George Ziegler Co.*, 354 F.2d 574 (7th Cir. 1965) (ju-jubes); *Donald F. Duncan, Inc.* v. *Royal Tops Manufacturing Co.*, 343 F.2d 655 (7th Cir. 1965) (yo-yos).

Defendant concedes that this is the law, but maintains that it is not marketing "Aloe" as such, but is selling cosmetics containing Aloe, which are not encompassed within the generic or descriptive name and with respect to which the word "Aloe" is at most, suggestive. In view of the fact that Aloe is the distinguishing ingredient in defendant's products upon which its claims to special effectiveness are based, the Court must find that "Aloe" is the generic and descriptive term for that class of cosmetics containing Aloe and that any claim to a trademark in the name must be based on "secondary meaning".

The case is unlike *Coca-Coca Co.* v. *Koke Co.*, 254 U.S. 143, 65 L.Ed 189 (1920) where the term Coke or Coca was originally descriptive of the extract of Coca leaves, or cocaine contained in the plant, but which lost this generic sense when the plaintiff was compelled to remove any effective cocaine from the product, after which Coca or Coke acquired a purely secondary meaning. Neither is this case controlled by those decisions which have found that exact copies or phonetic equivalents infringe purely suggestive names which have acquired trade name significance, such as *Douglas Labs. Corp.* v. *Copper Tan, Inc.*, 210 F.2d 453 (2nd Cir. 1954) which said "copper

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This case is properly classified with those where the term in question was the common name for the article sold and hence denominative of that article regardless of source. *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 83 L.ed. 73 (1938) (shredded wheat); *Hnery Heide Inc.* v. *George Ziegler Co.*, 354 F.2d 574 (7th Cir. 1965) (ju-jubes); *Donald F. Duncan, Inc.* v. *Royal Tops Manufacturing Co.*, 343 F.2d 655 (7th Cir. 1965) (yo-yos) and particularly with those cases where the term was denominative of the prime or distinguishing ingredient in the product. Company *LeBlume Import Co.* v. *Coty*, 293 F. 344 (2nd Cir. 1923) (*Lorigan* v. *L'Origan de Coty*—for perfume); *Pinaud, Inc.* v. *Huebschman*, 27 F.2d 531 (E.D.

N.Y. 1928) (*Lilas De France* v. *Lilas De France*—for perfume); *Wells & Richardson Co.* v. *Siegel, Cooper & Co.*, 106 F. 77 (N.D. Ill. 1900) (*Celery Compound* v. *Celery Compound*) with *Dixi-Cola Laboratories, Inc.* v. *Coca-Cola Co.*, 117 F.2d 352 (4th Cir. 1941) (*cola* v. *cola*—for soft drink containing extract of cola nut). It is clear from an examination of the cases that while the test may be stated in the same language in both types of cases, it is much more difficult to establish secondary meaning in a denominative term (as used herein) than in a purely descriptive one.

The criteria for determining whether a denominative term has acquired the necessary secondary meaning to be a trademark are best described in the language of the Supreme Court in *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 118, 83 L.ed. 73, 79 (1938):

> It is contended that the plaintiff has the exclusive right to the name 'Shredded Wheat,' because those words acquired the 'secondary meaning' of shredded wheat made at Niagara Falls by the plaintiff's predecessor. There is no basis here for applying the doctrine of secondary meaning. The evidence shows only that due to the long period in which the plaintiff or its predecessor was the only manufacturer of the product, many people have come to associate the product, and as a consequence the name by which the product is generally known, with the plaintiff's factory at Niagara Falls. But to establish a trade name in the term 'shredded wheat' the plaintiff must show more than a subordinate meaning which applies to it. It must show that the primary significance of the term in the minds of the consuming public is not the product but the producer.

In the recent decision of *Henry Heide, Inc.* v. *George Ziegler Co.*, 354 F.2d 574, 576 (7th Cir. 1965) dealing with the term "ju-jubes" for fruit flavored gum candy, this Court said: "But more importantly, a generic term in circumstances such as those before us may not be exclusively appropriated as a trademark, regardless of the length of time it may have been used by a single distributor at the consumer level and despite whatever promotional effect he may have expended to exploit it." See *Donald F. Duncan, Inc.* v. *Royal Tops Manufacturing Co.*, 343 F.2d 655 (7th Cir. 1965); *Dixi-Cola Laboratories* v. *Coca-Cola Co.*, 117 F.2d 352 (4th Cir. 1941).

The defendant-appellee, Aloe Creme Laboratories, Inc., here seeks to accomplish what the courts prohibited in the above cases. Having originated the use of a stabilized aloe gel in cosmetics and maintained a natural and legal monopoly in the product over a relatively long period of time, it seeks to prevent others from successfully competing in the Aloe cosmetic market by foreclosing their effective promotion of aloe products. Defendant cannot appropriate for its own trademark use the generic name of the distinguishing and effective ingredient in its product. Defendant has neither patent rights in the "ingredient concept" of using Aloe in cosmetics nor a legal right to maintain a monopoly in Aloe cosmetics. By using the phonetic equivalent of the generic name as the sole common and distinguishing mark of its products, defendant invited confusion. Until 1963, defendant differentiated its product by the name ALO-CREME, which would have come nearer to maintaining its trademark significance, but in the two to three years between the adoption of the singular ALO- and the filing of this suit, "Aloe" or "Alo" did not lose its generic meaning or denominative sense.

Those cases relied upon by defendant to establish the secondary meaning in the name of a plant used as an ingredient are distinguishable.

In *LeBlume Import Co.* v. *Coty,* 293 F. 344 (2nd Cir. 1923) the court found that Lorigan, or L'Origan, although generic when applied to a particular genus of plant, had come to mean the blended perfume produced by Coty, and not the fragrance of the particular plant. It laid stress on the fact that the perfume in question was a blend, unidentifiable with the genus of plants whose name it bore. In contrast, both plaintiff's and defendant's products here are promoted for their common ingredient—Aloe—with which both product lines are clearly identifiable. The defendant here cannot seek to promote its products by stressing the active ingredient which is available to all and also claim that the only proper name of that ingredient has lost its primary generic significance.

In *Pinaud, Inc.* v. *Huebschman,* 27 F.2d 531 (E.D. N.Y. 1928) the Court found that the French expression Lilas De France, when applied to a perfume long manufactured and promoted by one company, had acquired a secondary meaning, but it also indicated that the English counterpart of the same words, "French Lilac," was purely descriptive and without secondary meaning. In *Wells & Richardson Co.* v. *Siegel, Cooper & Co.,* 106 F. 77 (N.D. Ill. 1900) the Court found that the expression "Celery Compound" had acquired a secondary meaning and that others could not copy it, but it did not find that "Celery" had acquired a similar meaning. Thus a term which in itself does not have trademark significance may be combined with others in such a manner as to mean one product and one manufacturer only. While "Aloe" and

"Hands" may both be generic terms—as are most words—their combination in the phrase "ALO-Hands" may constitute a valid trademark as found by the Patent Office in issuing a registration for that term. Therefore, here the Court holds that the various ALO- trademarks of defendant in themselves are valid, but cannot be considered to have established a secondary meaning in the word Aloe itself. Others may not copy the exact trademarks used by defendant, because those have come to mean defendant's products exclusively, but they may use the word "Aloe" as part of their own trademark, just as defendant has done.

Defendant contends, and the trial court found, that it has a "family of ALO- trademarks" such as to preclude others from using the term "Aloe" in their trade names. This conclusion must be reversed. It is apparent that a generic term cannot be the basis of a family of trademarks such as to preclude others from using the term unless the term has acquired a "secondary meaning". Company *Lauritzen & Co., Inc.* v. *Borden Company,* 239 F.2d 405 (Court of Customs and Patent Appeals, 1956) with *Motorola, Inc.* v. *Griffiths Electronics, Inc.,* 317 F.2d 397 (Court of Customs and Patent Appeals, 1963). The family of trademarks doctrine is essentially similar to that of "secondary meaning". Without "secondary meaning" there is no "family of trademarks" in the sense defendant contends here. The lack of a "family of ALO-trademarks" does not, of course, invalidate each of defendant's registered trade names which share the "ALO-" term. Each trade name in itself may be distinctive enough to create a valid trademark even though the common term among the group has not achieved sufficient secondary meaning to preclude others from using the term.

Having determined that the generic term "ALO-" has neither achieved trademark significance, nor become the

basis of a "family of trademarks", we now examine defendant's claim of trademark registration of "ALO- and Design" in Registration No. 804,536.

The trial court in its finding of fact No. 16 found: "Defendant is the owner of the following trademarks and registrations therefor issued to it by the United States Patent Office: . . . No. 804,536 for ALO- and Design. . . ." This portion of finding No. 16 is clearly erroneous. Trademark Registration No. 804,536, while owned by the defendant, is not for "ALO- and Design", but rather for "Queen Nefertiti ALO and Design". This fact is made clear by the history of defendant's application for registration and the proceedings thereafter in the Patent Office.

On July 30, 1964, defendant applied for registration of "ALO- and design of a plant". The following drawing was submitted by the defendant:

The Patent Office treated this as an application for a trademark for "ALO and Design"; the Patent Office dropped the hyphen after ALO presumably because the drawing submitted included no hyphen.

On February 3, 1965, the Patent Office sent defendant notice of its refusal to register "ALO and Design". Among other reasons for the refusal, the Trademark Examiner pointed out that the mark was "merely descriptive of the goods . . . in that it set forth the substance from which the preparations are made together with a representation thereof, inasmuch as ALO is short for Aloe which is the genus designation for the species Aloe Vera and others."

Defendant's application for registration included a specimen of the following mark which had been used in defendant's advertising:

The Patent Office pointed out that this drawing could not be the basis of a registered mark in "ALO and Design" by itself since the word ALO and the design of the plant "is tied in with the portrait of Queen Nefertiti and *does not create a separate impression.*" (Emphasis added.) The Patent Office required the defendant to add the words "Queen Nefertiti" and her portrait to the drawing originally submitted. Defendant was further required to include a disclaimer of registration of the word "ALO" and the representation of the aloe vera plant.

Defendant amended its application to include the disclaimer of registration of ALO and representation of plant and submitted a new drawing which included the words "Queen Nefertiti" and the portrait of the Queen. The Patent Office then renamed the amended application "Queen Nefertiti ALO and Design". Defendant was sent notice that the "Queen Nefertiti ALO and Design" mark would be published on December 14, 1965. On March 1, 1966, the mark was registered and received No. 804,536.

A serious question as to defendant's good faith is raised by its claim that in No. 804,536 it owns the registration for "ALO- and "Design." The Patent Office specifically rejected defendant's application for registration of "ALO and Design" stating that "ALO" is a descriptive term. There can be no claim that "ALO and Design" as included in "Queen Nefertiti ALO and Design" has separate significance since the Patent Office informed defendant that the "ALO and Design" does not create a separate impression. Furthermore, in obtaining registration for "Queen Nefertiti ALO and Design" defendant *specifically disclaimed* registration rights in "ALO and the representation of the aloe plant" (as it was required to do by the Patent Office).

Defendant's questionable use of No. 804,536 began even before the mark was registered. On February 21, 1966, defendant sent letters to several hundred retailers in which it claimed to be the owner of "ALO- and design," a trademark "registered in the United States Patent Office." This letter, which theratened to "take whatever steps necessary" to stop "newly promoted competitors" from infringing on this and other trademarks, was sent nearly two weeks before the Patent Office registered the "Queen Nefertiti ALO and Design" mark.

In light of the foregoing, we remand this case for a redetermination of the question of defendant's unfair competition. We overrule the finding that defendant is the owner of a registered "ALO- and Design" trademark. We hold that defendant's use of the generic term "ALO-" has not created a secondary meaning in that word, and therefore, defendant has no exclusive trademark rights in the word "ALO-" by itself. We reverse the trial court's conclusion that defendant owns a "family of ALO- trademarks" such as to preclude others from using the word "Aloe" in their trade names.

We reverse the trial court's conclusion that plaintiff's TAN LIFE infringed defendant's FASHION TAN and AFTER TAN trademarks, because the only common word, "tan", is too descriptive to be the basis of trademark rights under the facts of this case.

On the basis of these conclusions we reverse the district court's holding that plaintiff was guilty of trademark infringement. We leave to the district court the determination of whether plaintiff was guilty of unfair competition absent of showing a trademark infringement.

Finally we come to the question of whether defendant is guilty of violating the antitrust laws by its use of its growers' supply contracts and its drugstore franchise agreements. We affirm the conclusions of the trial court that defendant's drugstore franchise agreements were not used in violation of the antitrust laws. However, we must set aside the conclusion of the trial court that defendant's growers' supply contracts were not used in violation of the antitrust laws since the district court's findings of fact are insufficient to support this conclusion.

Before there can be a conclusion as to whether there has been a substantial lessening of competition, monopolization, or a contract in restraint of trade, a determination must be made as to what are the relevant product markets within which to gauge a firm's power or the effect of its activities. In *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 325, 8 L.ed.2d 535 (1962) the Supreme Court stated:

> The outer boundaries of a product market are determined by the reasonable interchangeability of use or the cross-elasticity of demand between the product itself and substitutes for it. However, within this broad market, well defined submarkets may exist which, in themselves, constitute produce markets for antitrust purposes.

Factors such as a product's peculiar characteristics and uses, distinct prices, and sensitivity to price changes are all indicia which may be used in determining boundaries of a submarket.

The findings of fact made by the trial court do not provide a basis for its conclusion that the cosmetics industry is the relevant market. On remand, the district court should re-examine this question weighing the factors

set out in the *Brown Shoe* opinion. It will be necessary to make a determination whether there exists a separate market for aloe vera leaves. The district court will also need to inquire whether aloe vera products constitute a submarket of the cosmetic industry.

Once the district court has decided which product markets are relevant for antitrust consideration, the effect of defendants growers' supply contracts will have to be weighed within those markets. The ease of entry into these markets and the cost of aloe vera leaves to defendant and its competitors are findings of fact which will have to be made. On the basis of these findings, the district court will be able to decide the issues raised by plaintiff's charges of antitrust violation based on the defendant's exclusive contracts with the growers of a large percentage of aloe vera leaves produced in the United States.

Affirmed in part and reversed in part.

Remanded to the district court for further proceedings consistent with this opinion.

Appellant shall recover its costs of appeal.

A true Copy:
Teste:

.....

Clerk of the United States Court of Appeals for the Seventh Circuit.

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

AMERICAN ALOE CORPORATION,

Plaintiff,

v.

ALOE CREME LABORATORIES, INC.,

Defendant.

Civil Action No. 65 C 873

DECREE

This cause coming on to be heard on the pleadings, the evidence presented at the trial, the depositions and exhibits of the parties, and the briefs filed herein, and the Court being fully advised:

It is Hereby Ordered, Adjudged and Decreed:

1. That the plaintiff's complaint is hereby dismissed.

2. That the defendant's counterclaim is hereby sustained.

3. That American Aloe Corporation, and its agents, servants, employees, and attorneys, and all persons or corporations in active concert, participation or privity with it, be and are hereby forever enjoined and restrained from in anyway, directory or indirectly:

(a) infringing any of defendant's trademarks, including ALO-FACE, ALO-HANDS, ALO-BODY, ALO-LEGS, ALO-OINTMENT, ALO-RELIEF, ALO-TONE, ALO-PLUS, ALO-LIPSTICK, ALO-COS-

METICS, ALO-ROUGE, ALO-POUDRE, ALO-MOISTURE PLUS, ALO-BEAUTY MATTE, TRAV-ALO, Design of Plant, or any ALO- trademarks, FASHION TAN and AFTER TAN.

(b) using HOUSE OF ALOE, Design of Plant, ALOE ESSENCE, MASQUE OF ALOE, TRAVEL MATE, TROPICALOE, TAN LIFE or any other mark confusingly similar to defendant's aforementioned trademarks on or in connection with the selling, offering for sale, distributing or advertising cosmetics, or toilet preparations.

4. That this case be referred to FRANCIS L. ZIMMERMANN, as a Special Master in Chancery of the Court for an accounting and determination of the damages that defendant has suffered by reason of the said infringement and unfair competition committed by plaintiff and that said damages be trebled because of the wilfulness and deliberateness of plaintiff's said acts, and any profits that plaintiff has gained by said acts. Said Special Master in Chancery is hereby empowered to issue summons, and all other process and take all action necessary to conduct hearing in this cause. He is ordered and directed to take oral and documentary evidence and examine books and records of the plaintiff and to make a report of the actual damages suffered by the defendant.

Said Special Master in Chancery is ordered and directed to make such report and recommendations to this Court as he deems proper and to report his time spent, so this Court can determine a fair sum to award said Special Master for his fees and expenses. Said Special Master is authorized and directed to retain a Court Reporter and obtain a transcript of all hearings. The costs, expenses

and fees, after approval by this Court, shall be taxed as costs against the plaintiff.

The Court retains jurisdiction for the sole purpose of enforcing this decree and ascertaining the damages done to defendant by the plaintiff and entering and enforcing judgment therefor.

This decree is final in all other respects, more particularly upon the issue of trademark, infringement, unfair competition and antitrust charges herein.

ENTER:

J. S. Perry
Judge

Dated: September 26, 1968

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

AMERICAN ALOE CORPORATION,

Plaintiff,

v.

ALOE CREME LABORATORIES, INC.,

Defendant.

Civil Action No. 65 C 873

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Court having examined the pleadings, and heard the testimony, and studied the exhibits, and briefs of the parties, filed by counsel, makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Plaintiff, American Aloe Corporation, is a Delaware corporation, having its principal place of business in Chicago, where the complaint herein was filed on June 1, 1965 (Par. 1 of the complaint).

2. Plaintiff was incorporated on January 20, 1964, by Mr. White, but was inactive until Mr. White hired Mr. Goodman in September, 1964 (R-2293, 2301, 2332).

3. On February 8, 1966, Organon, Inc. acquired control of the stock of plaintiff and moved its office to West Orange, New Jersey (R-471, 1815, 573, 1929, 2215).

4. Defendant, Aloe Creme Laboratories, Inc., is a Florida corporation, incorporated on February 3, 1953, with its principal place of business in Fort Lauderdale, Florida

(R-559, 1747, 1165; Par. 1 of the Complaint, Answer and Reply), and with an office and warehouse in Chicago, Illinois (R-1024, 2075).

5. In 1953 defendant began the creation and sale of ointment and in 1957, cosmetics, and became a modern pioneer in the stabilization of aloe vera gel in these products (R-1163-5, 1190, 147, 1219, 1544, 1144-55, 1265).

6. Prior to defendant's incorporation in 1953, there is evidence that leaves of the aloe plant were cut and the fresh gel of the leaves was applied by users direct to their wounds, but the gel being vegetable matter, decayed quickly and could not be stored for any length of time (R-1149-67).

7. There were sporadic attempts to maintain the fresh gel in an ointment, such as Dr. Collins, Alvagel and Mr. McCarty, but none of these stabilized the product for sufficient shelf life to establish a successful business (R-1178). Dr. Collins' product introduced in evidence as Plaintiff's Exhibit 55 had deteriorated and was black and unuseable (R-342, 1180-87). Mrs. Collins testified her business was very small (R. 347-54). Alvagel had a very limited shelf life, and its business, if alive is insignificant (R-339). Mr. McCarty, with no knowledge of chemistry (R-982), was never successful with his products and admitted that he really went out of business when he moved to Dial, Georgia, in 1949 (R-976, 1005-7, 674). The formula he sold to Mr. White was never used by American Aloe Corporation, because Mr. White said he decided not to use it (R-674-6). There was no successful, accepted, stabilized ointment containing aloe vera gel prior to defendant entering the market in 1953 (R-1172).

8. Defendant became the first successful operation in creating and selling stable products containing aloe vera gel that had a commercially acceptable shelf life of two years (R-1164, 1172, 574, 2292, 1855).

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9. In 1953, defendant was the first user of the trade name Aloe Creme Laboratories, Inc (R-1165), which use has been continuous to date and has never been restrained (R-1165-7, 1747; Def. Ex. 113).

10. Plaintiff, in its complaint—paragraph 5, admits defendant's trademark use of ALO- by stating "Defendant identifies its 'aloe products' by means of the word 'ALO' and combinations thereof."

11. Defendant's first product, an ointment, in 1953, was put out under the trademark ALO-CREME OINTMENT, abbreviated in 1963 to ALO-OINTMENT (R-1165-7, 560, 1049, 1244, 1216-8, 1534, 1191, 1544, 559-60).

12. Defendant's first cosmetics were introduced in 1957, under the trademarks ALO-CREME FACE, ALO-CREME HANDS, and ALO-CREME BODY, abbreviated in 1963 to ALO-FACE, ALO-HANDS and ALO-BODY (R-1167, 1216-21, 1405, 147, 1268, 1233, 1049, 1343, 1192; Def. Exs. 1-19, Group Ex. D-12, J-1, 3 and 6).

13. Defendant has used on its products, since at least 1963, the trademarks ALO-PLUS, TRAV-ALO, ALO-RELIEF, ALO- and Design, ALO-MOISTURE PLUS, ALO-V SKIN CLEANSER, ALO-BEAUTY MATTE, ALO-TONE, ALO-ROUGE, ALO-LIPSTICK, ALO-POUDRE, ALO-V SHAMPOO, ALO-COSMETICS, ALO-CABANA SET, ALO-LEGS, Design of Plant, QUEEN NEFERTITI, FASHION TAN and AFTER TAN (R-1192-8, 1214-21, 1343).

14. Plaintiff in its complaint—paragraph 5, admits defendant's ownership of the trademarks and registrations No. 784,193 for ALO-FACE and No. 784,194 for ALO-PLUS issued by the United States Patent Office to defendant (Def. Ex. 56, 60; R-1214).

15. Defendant is the owner of the following trademarks and registrations therefor issued to it by the United States Patent Office: No. 775,943 for TRAV-ALO, No. 789,240 for Design of Plant, No. 784,195 for AFTER TAN, and No. 659,620 or FASHION TAN (Def. Exs. 61, 64, 68, 67; R-1214, 1343).

16. Defendant is the owner of the following trademarks and registrations therefor issued to it by the United States Patent Office: No. 812,766 for ALO-HANDS, No. 815,248 for ALO-COSMETICS, No. 825,909 for ALO-RELIEF, No. 804,536 for ALO- and Design, No. 798,737 for QUEEN NEFERTITI, No. 811,159 for Design of Plant, and No. 794,900 for MOISTURE PLUS (Def. Exs. 57, 58, 59, 62, 63, 65, 66; R-1214-5, 1343).

17. Defendant is the owner of a family of ALO- trademarks, including ALO-TONE, ALO-BEAUTY MATTE, ALO-OINTMENT, ALO-MOISTURE PLUS, ALO-V SKIN CLEANSER, ALO-V SHAMPOO, ALO-LIPSTICK, ALO-POUDRE, ALO-ROUGE, ALO-CABANA SET, ALO-LEGS (R-1192-8, 1343; Def. Exs. 9-45, Def. Groups Exs. A, B, C, D).

18. Although plaintiff was incorporated on January 20, 1964, (R-2300, 2331), and claimed to have made token sales in December, 1964 (R-2213, 2240), it first introduced its products bearing trademarks in a store on March 8, 1965 (R-2293, 2317, 678). All of these dates are later than defendant's use of its aforesaid trademarks in 1953, 1957 and 1963, so that defendant clearly has priority on trademark use.

19. Defendant began using its first ALO- trademarks in 1953, and from that time to date, has continuously used

ALO- trademarks on its products so that its use of same has exceeded 15 years in length of time (R-1165, 1191, 147, 1219).

20. When defendant began the use of its first ALO- trademark on ointment in 1953, and on cosmetics in 1957, there were no other or prior users of an ALO- trademark, so that defendant became the original and exclusive user of said ALO- trademarks (R-1164, 1172).

21. Defendant has extensively sold and advertised cosmetics and ointments bearing ALO- trademarks throughout the United States in leading department and drug stores from coast to coast (R-1199-1200, 59, 1749, 1228-42), with repeat orders (R-1751, 2145, 1255, 1261) to the extent of eight million dollars in sales and two million dollars in advertising (R-1228-46, 1749, 560, 1305-13).

22. The trade, including dealers in stores, the purchasing public and consumers have come to recognize cosmetics and ointments sold under ALO- trademarks as indicating exclusively the products of defendant and that ALO- to them means only the products of Aloe Creme Laboratories, Inc. (R-1938-46, 1785-8, 1793-6, 1798-1807, 1890, 1898, 2016-21, 2253-5, 2263, 2372-88, 41, 53, 1544, 1554, 1090-1108, 1111, 1590, 2318, 1273-89, 1255-9; Def. Group Ex. A-1, 22, 13, 18, 19, 20, B-9, 28, 35, C-6, 8, 1, 18, 3, M and K).

23. News media and other independent sources have acknowledged the success story of Aloe Creme Laboratories, Inc. and have written up news items recognizing that products bearing its ALO- trademarks indicate that they could only come from defendant. (Def. Group Ex. I-1, 2, 4, 7, 19, 27, 28, 29, 32, D-7, 8; Pl. Ex. 7; R-77-79, 176, 1245-6, 1267-72, 1493-4, 1313; Def. Ex. J-4 21, 25, 30).

24. Competitors have respected defendant's ALO- trademarks and have acquiesced in defendant's exclusive ownership thereto, and a U.S. District Court has approved of a consent decree thereon (R-178, 118, 101-6; Pl. Exs. 12-14).

25. The U.S. Trademark Trial and Appeal Board has ruled in favor of defendant's ALO-MOISTURE PLUS, ALO-BEAUTY MATTE, ALO-V SHAMPOO, ALO-FACE, ALO-HANDS, ALO-BODY and ALO-LEGS trademarks in a final decision in its favor against another competitor (R-1405-6; Def. Ex. 114).

26. Due to defendant's origination, long, exclusive and extensive use of its family of ALO- trademarks including ALO-FACE, ALO-HANDS, ALO-BODY, ALO-LEGS, ALO-MOISTURE PLUS, ALO-BEAUTY MATTE, ALO-PLUS, ALO-OINTMENT, ALO-COSMETICS, ALO-RELIEF, ALO-ROUGE, ALO-POUDRE, ALO-LIPSTICK, ALO-V SHAMPOO, ALO-V CLEANSER, TRAV-ALO, Design of Plant, and ALO-TONE on its cosmetics and ointments, said trademarks have come to indicate defendant as the exclusive producer and source of said products, rather than the products themselves (R-1943, 1793, 1801, 1893, 2021, 2253, 2255, 2263, 1590, 2388, 41, 1554).

27. Plaintiff did not use HOUSE OF ALOE, ALOE ESSENCE, the Design of Plant, JEL 'D ALOE, MASQUE OF ALOE or TROPICALOE as descriptive words as in small type in descriptive matter on its labels, but used them in capital letters on the fronts of jars, bottles and containers as trademarks and catchwords to attract the eyes and ears of prospective purchasers (R-2319, 2153, 53). Plaintiff's argument that it used its said trademarks only in a descriptive sense (R-2152-8) is not established by the evidence.

28. HOUSE OF ALOE, ALOE ESSENCE, the Design of Plant, JEL D' ALOE, MASQUE OF ALOE and TROPICALOE were all used as trademarks on cosmetics and so advertised by plaintiff in 1965 at dates later than defendant's use of its said ALO- trademarks on its products (R-2293, 2317, 678, 2300, 2331, 2054-72; Def.Ex. 74, 75).

29. The evidence shows that plaintiff recognized HOUSE OF ALOE, Design of Plant and ALOE ESSENCE as trademarks, because plaintiff filed applications for trademark registration in the United States Patent Office of HOUSE OF ALOE with Design of Plant, and ALOE ESSENCE (R-2159-68, 2300; Def.Ex. 149, 150 and 3). But there is no evidence that registrations have ever been granted thereon.

30. Mr. Goodman testified that he knew of defendant's ALO-trademarks and design of plant before he selected the trademarks HOUSE OF ALOE, Design of Plant and ALOE ESSENCE for plaintiff (R-2141-68, 2297). Mr. Goodman further testified that he had thought up ALOE ESSENCE while with Aloe Creme Laboratories, Inc. and suggested its use as a trademark by defendant (R-2158-60, 2205, 2213, 2241).

31. Mr. White was a stockholder of defendant and interested in its operation for beyond that of an investor and was the founder of plaintiff (R-1292, 575, 603, 608, 2291). Mr. Goodman was formerly midwest sales manager for defendant and knew of its trademarks and sales (R-1297, 2109-16). The hiring of many of defendant's salespeople and demonstrators by plaintiff (R-2140, 1086) and the calling on the trade by plaintiff in the areas in which defendant had been successful (R-760, 942), and the

use by plaintiff of defendant's famous Fort Lauderdale address (R-917), and selection and use of trademarks by plaintiff similar to defendant's trademarks disclosed an intention by plaintiff to trade on the reputation of defendant and cause confusion to plaintiff's benefit and the loss of defendant and the trade and purchasing public and reap where it had not sown.

32. Defendant originated in 1957 the practice of using an aloe vera plant and/or aloe vera leaf on the counter of the store where defendant's cosmetics and ointments were sold (R-1262-3), and has used the representation of a Design of Plant as a trademark to identify its products, so that these symbols have come to be associated exclusively with defendant and its products (R-1631). When plaintiff continued to use these same symbols in connection with the offering for sale and sale of its goods, such use was likely to fool prospective purchasers into buying such goods thinking they were the products of defendant (R-1262-3, 1628-31, 2023, 1151-2, 1162-3, 1332, 1409, 2147-50, 1654, 2067-9; Def.Ex. 6, 7, 64, 65, Group Ex. A, B, C and D).

33. People associate HOUSE OF ALOE with defendant on both the store level and the consumer level (R-27, 56, 1151, 1163, 1393-8, 1404-5). A drug store, Renneckar's, advertised defendant's products stating "Rodney Stockton: He Keeps Women Beautiful, House of Alo-Cosmetics will be demonstrated at Renneckar's". (Def. Ex. 103, R-1393-4). Consumers have addressed defendant as the House of Aloe (R-1404-5, Def. Ex. M, 66, 68, 110, 112; R-1400, 2077-82, 1390-9). Independents, such as the news media (Def. Ex. 102, Group Ex. I-24, J-16; R-1387-91), and the postal services associate House of Aloe with defendant (Def. Ex. M-41, 66, 68; 107-113; R. 1400).

34. Stores selling and advertising plaintiff's cosmetics bearing HOUSE OF ALOE and Design of Plant and other trademarks were confused and sent bills for advertising plaintiff's said goods to defendant for payment. This confusion occurred at: Loeb's Department Store of Lafayette, Indiana on two occasions as shown in Def. Ex. 87-90 (R-1369-71); H. Gordon & Sons of Gary, Indiana in Def. Ex. 91 and 92 (R-1372-3); Madigan's of Chicago, Illinois on two occasions in Def. Ex. 93-97 (R-1375-7); Marshall Field & Co. of Chicago, Illinois in Def. Ex. 95 and 96 (R. 1277-9); Mercantile Stores, Inc. in Def. Ex. 100 (R-1384-5); Globe Store of Fox Lake, Illinois in Def. Ex. 99 (R-1384-5); and Josephine's Gifts of Mishawaka, Indiana in Def. Ex. 102 (R-1388-9).

35. The McAlpin's Store in Cincinnati, Ohio, placed an ALO-sign over the counter when it sold the ALO-COSMETICS of defendant to designate defendant's products and left it there when it replaced these products with those of plaintiff, but was removed upon defendant's complaint that it increased the likelihood of confusion (R-1647-89, 1422; Def. Ex. 136-138; Group Ex. O).

36. Franklin Pharmacy in Michigan City, Indiana, used defendant's display stand to display plaintiff's cosmetics until complaint caused this store to stop such use (R-1684-6).

37. There has been confusion over the telephone and in the mails between plaintiff and defendant (R-2075-88, 1396-1403; Def. Ex. 105, 106, 107, 108, 109, 111-3).

38. Plaintiff has admitted that its packages have been indistinctly marked, so that the trademarks on them could not be easily read in stores, thereby increasing the likelihood of confusion (R-1318-23, 908, 916).

39. Customers have been so confused that stores have discontinued selling plaintiff's cosmetics bearing HOUSE OF ALOE, ALOE ESSENCE and other marks similar to defendant's family of Alo-trademarks (R-1935-42, 1785-95, 2023-4, 2067).

40. As long as plaintiff continues to use HOUSE OF ALOE, ALOE ESSENCE, JEL D' ALOE, TROPICALOE and other trademarks similar to defendant's family of ALO-trademarks, there is and will continue to be likelihood of confusion to the loss and damage of defendant and the purchasing public (R-1554, 1111, 1087, 1093, 1099, 1644-8, 1100-9).

41. Plaintiff, by putting on its products such trademarks as ALOE ESSENCE, HOUSE OF ALOE, JEL D'ALOE, TROPICALOE and the Design of Plant, has put an instrumentality in the hands of dealers and stores calculated to confuse customers into thinking they are buying the ALO-trademarked products of defendant and enable them to palm off plaintiff's goods as and for those of defendant, to plaintiff's gain and the loss of defendant and the purchasing public.

42. Plaintiff's aforesaid acts of adopting and using trademarks confusingly similar to the prior used and registered trademarks of defendant, and plaintiff's aforesaid acts of unfair competition were adapted to and did sustain the illusion that plaintiff was in some way connected with defendant, all to plaintiff's gain and to defendant's loss, injury and damage (R-2081-2, 1396, 1403, 1885, 2172, 2067, 2206, 2176-8).

43. Plaintiff has admitted that after Organon, Inc. acquired control of the stock of plaintiff (R-1815, 504), that it discontinued the use of HOUSE OF ALOE and

now uses ROYAL HOUSE instead, and uses ROYAL in front of every trademark (R-474, 483-5, 493, 1965, 1907, 907, 1328, 2215, 1811, 912, 2386-9). This indicates an intention on the part of plaintiff to abandon HOUSE OF ALOE and the Design of Plant, so that plaintiff should not object to an order restraining it from again using HOUSE OF ALOE and Design of Plant in the future.

44. Defendant sent plaintiff a letter to the attention of Mr. Goodman on January 5, 1965, in good faith, requesting that plaintiff stop the use of ALOE ESSENCE and other trademarks, so that the continued use of plaintiff's trademarks has been with knowledge of defendant's rights (Pl. Ex. 21; R-136; and Par. 9 of the complaint and attached to complaint as Exhibit B).

45. Plaintiff did not use HOUSE OF ALOE, ALOE ESSENCE, the Design of Plant, JEL D'ALOE, MASQUE OF ALOE and TROPICALOE in a descriptive sense, but as trademarks and by such use acquired no right to attack defendant's prior ALO-trademarks as a basis for using confusingly similar trademarks or filing the complaint in this case.

46. The letters sent by defendant to its customers and stockholders in good faith, including Def. Ex. 9 and 11, did not mention plaintiff (R-745), and were for the protection of defendant's trademarks and provided no basis for any injury or damage to plaintiff, and no basis for any allegations of unfair competition in the complaint.

47. The evidence discloses that defendant sent no letters to plaintiff or any of plaintiff's customers threatening any of them with a lawsuit, or did defendant ever file suit against any of plaintiff's customers (R-2294, 2234, 2319).

48. Infringement notices were sent out by defendant in good faith to third persons to protect defendant's rights to its trademarks, such notices did not injure or damage plaintiff and are immaterial and irrelevant to this case and furnish no basis for any claim of unfair competition in the complaint.

49. There is no evidence that defendant disparaged plaintiff or its products, or disrupted plaintiff's demonstrations by boisterous conduct or heckling at Ford's Pharmacy, Steven's, Willow Hill Pharmacy, or any other place and that plaintiff's claim of such unfair competition in the complaint has not been established by the evidence and is without basis (R-1625, 1043, 1717, 2045).

50. There is no substantial, reliable evidence of any acts of unfair competition on behalf of defendant, as alleged in the complaint, or otherwise in any way injured or damaged the plaintiff.

The Relevant Market

51. Defendant is a relatively small company in the cosmetics industry, having sales in the year prior to trial, 1965, of $1,316,041.67. (PX 226; R. 1308).

52. Defendant was a pioneer in the development of the use of aloe vera and was virtually the sole user of aloe in the 1950's and early 1960's. (R. 147, 347-354, 1163-1165, 1144-1155, 1265).

53. By the sale of ointments in 1953 and cosmetics in 1957, defendant established itself as a leader in the stabilization of aloe vera gel for use in cosmetic products. (Ibid.)

54. A wide range of cosmetics is produced by both defendant and plaintiff corporations, including creams, cleansers, rouges, lipsticks, and other beautifying compounds. (DX's 9-45; R. 1189-1199, 1204, 1333-1334).

55. Although aloe vera is used as a distinguishing ingredient in the products of both defendant and plaintiff corporations, both corporations are but two competitors serving an infinitesimal fraction of the cosmetic market. (DX 133).

No Showing of Monopolization

56. Although a book written by Lin Tso stated that defendant controlled 80 per cent of the aloe supply, Mr. Tso did not attribute this figure to Mr. Stockton of the defendant corporation. (R. 408-411, 417, 424-425, 1767-1768).

57. Mr. Tso testified that he did not know whether defendant had ever had a monopoly on aloe vera supply. (R. 426, 1771).

58. An article appearing in Coronet Magazine stating that Stockton controlled 80 per cent of the rare aloe vera growers in this country was not based upon any direct statement of Mr. Stockton (R. 78).

59. The author of the Coronet article testified that, in his opinion, defendant did not have a monopoly over the aloe vera growers. (R. 1776, 1783).

60. Although Mr. Stockton posed for a Miami Herald article appearing Febraury 5, 1967, which stated that he controlled 80 per cent of the aloe vera plant market, Mr. Stockton testified that he did not supply such a statement. (R. 176).

61. Mr. Stockton stated that he never reported to anyone that he had 80 or 85 per cent of the productive capacity of the aloe vera plants and further denied that his company had any monopoly. (R. 176-178). There is no evidence that defendant in fact controlled 80 to 85 per cent of the aloe vera market.

62. Plaintiff's witness, Mr. White, could not state that defendant controlled 80 or 85 per cent of the aloe vera market. (R. 2311).

63. Numerous of plaintiff's own officers testified that it had an adequate supply of aloe vera plants (R. 1930, 1977, 2179, 2296).

64. Plaintiff's founder, Mr. White, stated that plaintiff had a plentiful supply of aloe vera gel since October, 1964, when it began producing cosmetics. (R. 2296, 2312, 2331).

65. Mr. Hazelwood testified that he sold "two or three hundred gallons" of aloe vera gel to Mr. White prior to the October 15, 1964 date, which would have been extracted from some 5,100 pounds of aloe vera leaves. (R. 271-272, 2334).

66. Texas Aloe Corporation agreed to furnish plaintiff 75,000 pounds of aloe leaves per year. (R. 600, 2329).

67. Mr. Nacca of Organon, Inc., testified that his company would not have acquired plaintiff if it was not certain plaintiff had a plentiful supply of raw aloe vera material, and he satisfied himself that there was such a supply. (R. 1930, 1964).

68. Mrs. Helene Collins, who claimed to have been in business prior to defendant, had always found an adequate supply of aloe vera. (R. 351, 356-357).

69. Mrs. Minton's pet products had always found an adequate supply of aloe vera (R. 367-406).

70. Carissa had always found an adequate supply of aloe vera. (R. 2332-2333).

71. Johnson Industries (with Vedra) had always found an adequate supply of aloe vera. (R. 1919-1920).

72. Shulton (with Desert Flower) had always found an adequate supply of aloe vera. (R. 1355).

73. There is no evidence in the record that defendant in fact has a monopoly over the supply of aloe vera.

No Showing of Restraint of Trade

A. Franchise Agreements

74. Defendant's drug store franchise agreements were entered into with 25 to 35 per cent of the drug stores with which it does business. (R. 121-122).

75. These agreements were sent to stores, but the stores were not required to sign them. (R. 120).

76. Under the terms of the franchise agreements (PX 18), the store is required to have at least three other franchise lines before the agreement will be offered. (R. 124-125, 1466).

77. The agreement by its own terms is cancelable by either party on 30 days' notice. (PX 18).

78. The fact that a store handled other products containing aloe vera had no effect on defendant's decision to grant or withdraw a franchise. (R. 124).

79. Approximately 60 of the stores under franchise also sold plaintiff's aloe vera products. (R. 1462, 1465, 1467).

80. The franchise agreement also contained a space for the owner to sign any bonus arrangements, and specifically provided a place for signature, marked "Proprietor or Manager." (PX 18).

81. There is no evidence that managers were receiving bonuses without the knowledge or consent of their employers or owners.

B. Growers' Supply Contracts

82. The aloe vera growers' supply contracts contain no restrictions forbidding growers from selling aloe vera leaves or plants, which defendant does not buy, to competitors of defendant, including plaintiff. (PX 232).

83. Plaintiff's executives, as well as other competitors of defendant, testified that they had adequate supplies of aloe plants and leaves. (R. 351, 405, 1930, 1977, 2179, 2296, 2332-2333, 2486-2487).

C. Evidence of Disparagement

84. Aloe vera plants are extremely susceptible to contamination, and contamination was a matter of major concern to suppliers as well as to purchasers in the market. (R. 141, 529-545).

85. Although defendant once stated that plaintiff's gel was contaminated, plaintiff's supplier admitted that some of its products had been returned to it by its customers because they were in fact contaminated. (R. 226-227).

86. Although defendant complained to the Department of Agriculture that plants of a supplier of plaintiff had been afflicted by a mosaic wilt, this inquiry was prompted by concern on the part of aloe vera producers for the general status of the market and was not caused by malice. (R. 234).

CONCLUSIONS OF LAW

1. This Court has jurisdiction of the trademark issues in the case under the Trademark Act of 1946.

2. Defendant's trademarks and registrations therefor, namely, ALO-FACE, Reg. No. 784,193, ALO-PLUS, Reg. No. 784,194, TRAV-ALO, Reg. No. 775,943, Design of Plant, Reg. No. 789,240 and 811,159, ALO-HANDS, Reg.

No. 812,766, ALO-COSMETICS, Reg. No. 815,248, ALO-RELIEF, Reg. No. 825,909, ALO-OINTMENT, ALO-V SKIN CLEANSER, ALO-MOISTURE PLUS, ALO-ROUGE, ALO-LEGS, ALO-BODY, ALO-CABANA SET, ALO-LIPSTICK, ALO-POUDRE, ALO-V SHAMPOO, ALO-TONE, and ALO-BEAUTY MATTE, a family of ALO- trademarks and are valid, subsisting, uncancelled and unrevoked.

3. Defendant's trademarks and registrations therefore, namely, FASHION TAN, Reg. No. 659,620, AFTER TAN, Reg. No. 784,195 and MOISTURE PLUS, Reg. No. 794,900 are valid, subsisting, uncancelled and unrevoked.

4. Defendant's trademarks set forth in paragraph 2 of these Conclusions of Law, hereinafter referred to as the ALO- family of trademarks, have acquired secondary meaning as indicating only the defendant as the source of origin of products on or in connection with which they are used. Defendant has acquired secondary meaning in this family of ALO- trademarks because of (1) long and continued use since defendant began the use of the first of said ALO- trademarks in 1953 and has continued to use said ALO- trademarks to this date, (2) defendant was the first and original user of an ALO- trademark on its ointments and cosmetics, and (3) the extensiveness of defendant's use, including sales of over eight millions of dollars in products bearing such ALO- trademarks and the expenditure of over two million dollars in advertising said trademarked products.

4. Plaintiff's trademark use of HOUSE OF ALOE, Design of Plant, ALOE ESSENCE, JEL D'ALOE, MASQUE OF ALO, TRAVEL MATE and TROPICALOE has been and is confusingly similar to and has infringed defendant's said family of ALO- trademarks and further such acts of infringement should be restrained.

5. Plaintiff's trademark use of TAN LIFE has been confusingly similar to and an infringement of defendant's FASHION TAN and AFTER TAN trademarks and further such acts of infringement should be restrained.

6. The unfair acts of Mr. Goodman and Mr. White with plaintiff, after leaving defendant under the circumstances, including the hiring of defendant's personnel and approaching defendant's customers as though plaintiff were connected in some way with defendant and the using of defendant's aloe vera plant and leaves in sales were acts of unfair competition in aggravation of the aforesaid trademark infringement, and disclosed an intention deliberately, wilfully and wantonly to trade on defendant reputation, so that plaintiff could reap where it had not sown.

7. Plaintiff's said trademark infringement provided it with no rights to attack defendant's family of ALO trademarks or its registrations therefor. While plaintiff is free to make use of descriptive words in their usually descriptive sense, yet that gave plaintiff no right to use trademarks confusingly similar to defendant's trademarks in a trademark form and sense, in acts of infringement, so that Count I of the complaint is without basis and should be dismissed.

8. Since there is no evidence that defendant committed any acts of unfair competition with relation to plaintiff, Count II of the complaint is without basis and should be dismissed.

9. Since there is no evidence that defendant committed any acts of Restraint of Trade or Monopolization in violation of the anti-trust laws, including the Sherman Act and the Clayton Act, Counts III and IV of the complaint are without basis and should be dismissed.

10. Because plaintiff's acts of trademark infringement aggravated by unfair competition were intentional and deliberate, defendant is entitled to damages that it has suffered and treble damages for the wilfulness of plaintiff's acts and to profits that plaintiff has made by said acts, and this case is hereby referred to Francis L. Zimmerman to determine the amount of said damages and profits and report the same to this Court, the costs of said reference to be paid by plaintiff.

11. Because of the deliberateness of plaintiff's acts of trademark infringement and unfair competition, defendant is entitled to its costs herein as a part of the judgment herein.

12. The "relevant market" for establishing an attempted monopolization in violation of Sec. 2 of the Sherman Act (15 U.S.C. §2) is "cosmetics" and the cosmetics industry.

13. Defendant has not attempted to monopolize interstate trade and commerce, and does not have a monopoly in the "relevant market" of cosmetics and thus has not violated Section 2 of the Sherman Act (15 U.S.C. §2).

14. Even if the "relevant market" were considered to be the "aloe vera products" market, defendant has not attempted to monopolize interstate trade and commerce, and does not have a monopoly in that market and thus has not violated Section 2 of the Sherman Act (15 U.S.C. §2).

15. Defendant's drug store franchise agreements are not "exclusive dealing" or "requirements" type contracts.

16. Even if defendant's drug store franchise agreements were considered to be "exclusive dealing" or "requirements" type contracts, they were not used unlawfully to

restrain interstate trade and commerce in violation of Section 1 of the Sherman Act (15 U.S.C. §1), nor were they used to monopolize interstate trade and commerce in violation of Section 2 of the Sherman Act (15 U.S.C. §2).

17. Defendant's drug store franchise agreements do not violate the commercial bribery provision of the Robinson-Patman Act, Section 2(e) (15 U.S.C. §15(c)), nor the price discrimination provisions thereof (15 U.S.C. §15(a)).

18. Defendant's growers' supply contracts are necessary to insure that defendant has a continuing supply of aloe vera gel and were not used by defendant unlawfully to restrain interstate trade and commerce, and defendant thus did not violate Section 1 of the Sherman Act (15 U.S.C. §1).

19. Defendant's growers' supply contracts were not used by defendant in an attempt to monopolize interstate trade and commerce, and defendant thus did not violate Section 2 of the Sherman Act (15 U.S.C. §2).

20. Plaintiff has wholly failed to show that defendant combined or conspired with any of its aloe vera suppliers to destroy the business of defendant's competitors, or that defendant in any way restrained interstate trade and commerce in the production of aloe vera and the manufacture, sale and distribution of aloe vera products in violation of Section 1 of the Sherman Act (15 U.S.C. §1), and has further failed to show that defendant in any way monopolized interstate trade and commerce in the production of aloe vera and the manufacture, sale, and distribution of aloe vera products in violation of Section 2 of the Sherman Act. (15 U.S.C. §2).

J. S. Perry
United States District Judge

Dated: September 26, 1968